

CITY OF IDA GROVE

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

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CITY OF IDA GROVE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Ernst	Mayor	January 2014
Bill Carnine	Council Member	January 2012
Paul Cates	Council Member	January 2012
Robert Fineran	Council Member	January 2012
Doug Clough	Council Member	January 2014
Craig Rupert	Council Member	January 2014
Edie Ball	Clerk	Indefinite
Karen Gunderson	Deputy Clerk/Treasurer	Indefinite
Laurel Boerner	Attorney	Indefinite

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Ida Grove, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011, on our consideration of City of Ida Grove's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 20 and 21 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

City of Ida Grove, Iowa, has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Ida Grove's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for each of the years in the eight year period ended June 30, 2010 (which are not presented herein), and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

December 5, 2011

Hunziker, Putzger & Co.

CITY OF IDA GROVE
STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Exhibit A

Functions/Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	
Governmental activities:								
Public safety	\$ 319,776	\$ 7,259	\$ 17,927	\$ -	\$ (294,590)	\$ -	\$ (294,590)	\$ -
Public works	400,783	13,147	224,856	7,920	(154,860)	-	(154,860)	-
Health and social services	4,667	-	-	-	(4,667)	-	(4,667)	-
Culture and recreation	400,499	169,926	44,388	33,500	(152,685)	-	(152,685)	-
General government	236,835	5,481	13,277	-	(218,077)	-	(218,077)	-
Debt service	161,398	-	-	-	(161,398)	-	(161,398)	-
Capital projects	223,680	-	-	-	(223,680)	-	(223,680)	-
Total governmental activities	1,747,638	195,813	300,448	41,420	(1,209,957)	-	(1,209,957)	-
Business type activities:								
Water	195,313	279,824	-	-	-	84,511	84,511	-
Sewer	219,787	139,882	-	-	-	(79,905)	(79,905)	-
Solid Waste	138,969	141,151	-	-	-	2,182	2,182	-
Total business type activities	554,069	560,857	-	-	-	6,788	6,788	-
Total primary government	\$ 2,301,707	\$ 756,670	\$ 300,448	\$ 41,420	(1,209,957)	6,788	(1,203,169)	-
Component Unit:								
Ida Grove Community Rec Center								
Endowment Trust	\$ 10,616	\$ -	\$ -	\$ -	-	-	-	(10,616)
General Receipts and Transfers:								
Property and other city tax levied for:								
General purposes					745,724	-	745,724	-
Debt service					29,333	-	29,333	-
Tax increment financing					105,358	-	105,358	-
Local option sales tax					207,709	-	207,709	-
Hotel-motel tax					32,206	-	32,206	-
Unrestricted interest on investments					2,740	-	2,740	6,388
Legal settlement					80,000	-	80,000	-
Miscellaneous					11,979	-	11,979	7,624
Transfers					109,774	(109,774)	-	-
Total general receipts and transfers					1,324,823	(109,774)	1,215,049	14,012
Change in cash basis net assets					114,866	(102,986)	11,880	3,396
Cash basis net assets beginning of year					988,969	467,107	1,456,076	256,817
Cash basis net assets end of year					\$ 1,103,835	\$ 364,121	\$ 1,467,956	\$ 260,213

(continued)

CITY OF IDA GROVE
STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Exhibit A
(continued)

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Type Activities	Component Unit
Cash Basis Net Assets							
Restricted:							
Expendable:							
Streets					\$ 337,253	\$ -	\$ 337,253
Tax increment financing projects					198,931	-	198,931
Other purposes					253,233	-	253,233
Ida Grove Community Rec Center					-	-	260,213
Unrestricted					314,418	364,121	678,539
Total cash basis net assets					<u>\$ 1,103,835</u>	<u>\$ 364,121</u>	<u>\$ 1,467,956</u>
							<u>\$ 260,213</u>

See notes to financial statements.

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Exhibit B

	Special Revenue						Total
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Capital Projects	Nonmajor	
Receipts:							
Property tax	\$ 643,598	\$ -	\$ -	\$ -	\$ -	\$ 131,459	\$ 775,057
Tax increment financing	-	-	-	105,358	-	-	105,358
Other city tax	32,206	-	207,709	-	-	-	239,915
Licenses and permits	6,233	-	-	-	-	-	6,233
Use of money and property	27,507	-	-	-	-	-	27,507
Intergovernmental	27,079	208,332	-	-	-	20,409	255,820
Charges for services	146,348	-	-	-	-	-	146,348
Miscellaneous	162,992	-	-	-	33,500	-	196,492
Total receipts	1,045,963	208,332	207,709	105,358	33,500	151,868	1,752,730
Disbursements:							
Operating:							
Public safety	318,550	-	-	-	-	1,226	319,776
Public works	173,852	165,203	-	-	-	61,728	400,783
Health and social services	4,667	-	-	-	-	-	4,667
Culture and recreation	360,710	-	-	-	-	39,789	400,499
General government	206,469	-	-	-	-	30,366	236,835
Debt service	-	-	-	-	-	161,398	161,398
Capital Projects	-	-	-	-	223,680	-	223,680
Total disbursements	1,064,248	165,203	-	-	223,680	294,507	1,747,638
Excess (deficiency) of receipts over disbursements	(18,285)	43,129	207,709	105,358	(190,180)	(142,639)	5,092
Other financing sources (uses):							
Operating transfers in	56,193	18,580	-	-	455,055	132,597	662,425
Operating transfers out	(532)	(89,866)	(142,337)	(43,217)	(1,047)	(275,652)	(552,651)
Total other financing sources (uses)	55,661	(71,286)	(142,337)	(43,217)	454,008	(143,055)	109,774
Net change in cash balances	37,376	(28,157)	65,372	62,141	263,828	(285,694)	114,866
Cash balances beginning of year, as restated	476,998	365,410	132,704	136,790	(463,784)	340,851	988,969
Cash balances end of year	\$ 514,374	\$ 337,253	\$ 198,076	\$ 198,931	\$ (199,956)	\$ 55,157	\$ 1,103,835

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Exhibit B
 (continued)

	Special Revenue					
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Capital Projects	Nonmajor
Cash Basis Fund Balances						
Restricted for:						
Streets	\$ -	\$ 72,781	\$ -	\$ -	\$ -	\$ 72,781
Tax increment financing projects	-	-	-	198,931	-	198,931
Other purposes	-	-	198,076	-	-	55,157
Assigned for equipment	170,179	264,472	-	-	-	434,651
Unassigned	344,195	-	-	-	(199,956)	144,239
Total cash basis fund balances	<u>\$ 514,374</u>	<u>\$ 337,253</u>	<u>\$ 198,076</u>	<u>\$ 198,931</u>	<u>\$ (199,956)</u>	<u>\$ 1,103,835</u>

See notes to financial statements.

CITY OF IDA GROVE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Exhibit C

	<u>Enterprise</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating receipts:				
Charges for services	\$ 275,104	\$ 139,714	\$ 141,151	\$ 555,969
Miscellaneous	4,720	168	-	4,888
Total operating receipts	279,824	139,882	141,151	560,857
Operating disbursements:				
Business type activities	195,313	219,787	138,969	554,069
Excess (deficiency) of operating receipts over operating disbursements	84,511	(79,905)	2,182	6,788
Operating transfers out	(95,035)	(14,739)	-	(109,774)
Net change in cash balances	(10,524)	(94,644)	2,182	(102,986)
Cash balances beginning of year	375,627	17,733	73,747	467,107
Cash balances end of year	\$ 365,103	\$ (76,911)	\$ 75,929	\$ 364,121
Cash Basis Fund Balances				
Unrestricted	\$ 365,103	\$ (76,911)	\$ 75,929	\$ 364,121

See notes to financial statements.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Ida Grove is a political subdivision of the State of Iowa located in Ida County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, general government services, and business type activities.

A. Reporting Entity

For financial reporting purposes, City of Ida Grove has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City.

These financial statements present the City of Ida Grove (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Ida Grove Community Rec Center Endowment Trust was established as a non-profit trust in accordance with Section 450.4(2) of the Code of Iowa. The Trust is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. The Trust receives donations for maintaining and improving the facilities, programs, and physical plant of the Rec Center and Community building. These donations are to be used for items which are not included in the City's budget.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Ida County Assessor's Conference Board, Ida County Public Safety and Communications Commission, and Ida County Landfill Commission.

Payments made to Ida County Public Safety and Communications Commission during the year ended June 30, 2011, were \$272,339

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and, (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the main operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for monies received to be used for property tax relief and community betterment.

The Tax Increment Financing Fund is used to account for projects financed by tax increment financing.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Solid Waste Fund accounts for the operation and maintenance of the City's system of solid waste removal.

C. Measurement Focus and Basis of Accounting

City of Ida Grove maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Unassigned – All amounts not included in other spendable classifications.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the debt service and business type activities functions.

2. CASH

The City's deposits in banks at June 30, 2011, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3, as amended by Statement 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

3. BONDS PAYABLE

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 100,000	\$ 25,682
2013	105,000	21,983
2014	110,000	18,045
2015	115,000	13,865
2016	120,000	9,495
2017	125,000	4,875
	<u>\$ 675,000</u>	<u>\$ 93,945</u>

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

4. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010, 2009, were \$30,350, \$29,223, and \$27,474, respectively, equal to the required contributions for each year.

5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit

Vacation

\$ 19,959

This liability has been computed based on rates of pay in effect at June 30, 2011.

6. SERVICE AGREEMENTS

The City has an agreement with Ida County Sanitation, Inc. for refuse collection and hauling of solid waste and recyclable materials. Payments under this agreement were \$136,063 for the year ended June 30, 2011.

7. HOSPITAL REVENUE NOTES

The City has issued a total of \$8,860,000 of hospital revenue notes for Horn Memorial Hospital under the provisions of Chapter 419 of the Code of Iowa, of which \$7,225,660 is outstanding at June 30, 2011. The bonds and related interest are payable solely from the revenue of the hospital, and the bond principal and interest do not constitute liabilities of the City.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

8. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2011, consisted of the following:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use	\$ 41,542
	Tax Increment Financing	13,604
	Capital Projects	<u>1,047</u>
		<u>56,193</u>
Special Revenue:		
Road Use	Nonmajor Governmental Funds	<u>18,580</u>
Capital Projects	Special Revenue:	
	Road Use	89,866
	Local Option Sales Tax	93,378
	Nonmajor Governmental Funds	257,072
	Enterprise:	
	Sewer	<u>14,739</u>
		<u>455,055</u>
Nonmajor Governmental Funds	General	532
	Special Revenue:	
	Local Option Sales Tax	7,417
	Tax Increment Financing	29,613
	Enterprise:	
	Water	<u>95,035</u>
		<u>132,597</u>
Total		<u>\$ 662,425</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

9. RISK MANAGEMENT

City of Ida Grove is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 9 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Health Care. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$332-\$983 for single coverage and \$332 for spouse only coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$58,472 and plan members eligible for benefits contributed \$4,468 to the plan.

11. DEFICIT FUND BALANCE

The Capital Projects Funds, and the Sewer Fund had deficit balances of \$199,956 and \$76,911, respectively at June 30, 2011. These deficit balances are a result of project costs incurred prior to availability of funds. These deficit balances will be eliminated by special assessments, transfers from other funds, increased rates, or cost reductions.

12. INTERGOVERNMENTAL AGREEMENT

The City entered into an agreement with Ida County to provide for the disposal of solid waste.

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The costs to the County for compliance with these requirements have been estimated at \$370,020 according to the County's latest audit report available which was for the year ended June 30, 2010. The Ida County Landfill closed during fiscal year 2008.

The County has begun to accumulate resources to fund these costs and, at June 30, 2010, assets of \$408,566 are restricted for these purposes.

13. CONSTRUCTION CONTRACTS AND COMMITMENTS

The City has entered into the following contracts which were not completed as of June 30, 2011.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Amount Paid As of June 30, 2011</u>	<u>Remaining Commitment As of June 30, 2011</u>
Street maintenance	\$ 119,936	\$ 74,161	\$ 45,775

The remaining commitment on this project will be financed with funds on hand.

CITY OF IDA GROVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

14. ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>General Fund</u>	<u>Special Revenue Emergency</u>
Balances June 30, 2010, as previously reported	\$ 460,990	\$ 16,008
Change in fund type classification per implementation of GASB Statement No. 54	<u>16,008</u>	<u>(16,008)</u>
Balances July 1, 2010, as restated	<u>\$ 476,998</u>	<u>\$ -</u>

15. SUBSEQUENT EVENTS

On September 6, 2011, the City approved infrastructure improvements at Ridgeview Estates in the amount of \$396,496. On October 17, 2011, the City approved issuing \$246,500 of general obligation notes for the project. The notes bear interest rates ranging from 1.25% to 4.25% per annum for a term of fifteen years. The final payment is due June 1, 2026. Also, on October 3, 2011, the City approved a loan of \$150,000 from the water fund to help pay for this project.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF IDA GROVE
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES –
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final To Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 775,057	\$ -	\$ 775,057	\$ 735,281	\$ 735,281	\$ 39,776
Tax increment financing	105,358	-	105,358	106,000	106,000	(642)
Other city tax	239,915	-	239,915	185,221	251,130	(11,215)
Licenses and permits	6,233	-	6,233	5,980	5,980	253
Use of money and property	27,507	-	27,507	39,825	19,825	7,682
Intergovernmental	255,820	-	255,820	234,170	234,170	21,650
Charges for service	146,348	555,969	702,317	1,067,047	708,497	(6,180)
Miscellaneous	196,492	4,888	201,380	231,235	231,235	(29,855)
Total receipts	<u>1,752,730</u>	<u>560,857</u>	<u>2,313,587</u>	<u>2,604,759</u>	<u>2,292,118</u>	<u>21,469</u>
Disbursements:						
Public safety	319,776	-	319,776	359,960	359,960	40,184
Public works	400,783	-	400,783	407,589	407,589	6,806
Health and social services	4,667	-	4,667	4,667	4,667	-
Culture and recreation	400,499	-	400,499	440,216	440,216	39,717
General government	236,835	-	236,835	264,040	264,040	27,205
Debt service	161,398	-	161,398	161,148	161,148	(250)
Capital projects	223,680	-	223,680	152,601	235,601	11,921
Business type activities	-	554,069	554,069	838,235	538,235	(15,834)
Total disbursements	<u>1,747,638</u>	<u>554,069</u>	<u>2,301,707</u>	<u>2,628,456</u>	<u>2,411,456</u>	<u>109,749</u>
Excess (deficiency) of receipts over disbursements	5,092	6,788	11,880	(23,697)	(119,338)	131,218
Other financing sources (uses)	<u>109,774</u>	<u>(109,774)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	114,866	(102,986)	11,880	(23,697)	(119,338)	131,218
Balance, beginning of year	<u>988,969</u>	<u>467,107</u>	<u>1,456,076</u>	<u>1,478,337</u>	<u>1,100,401</u>	<u>355,675</u>
Balance, end of year	<u>\$ 1,103,835</u>	<u>\$ 364,121</u>	<u>\$ 1,467,956</u>	<u>\$ 1,454,640</u>	<u>\$ 981,063</u>	<u>\$ 486,893</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – BUDGETARY REPORTING
JUNE 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2011 the budget was amended one time which decreased budgeted disbursements by \$217,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the debt service and business type activities functions.

SUPPLEMENTARY INFORMATION

CITY OF IDA GROVE
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Schedule 1

	Special Revenue					
	Employee Benefits	I-Jobs	FEMA	Stimulus	Debt Service	Total
Receipts:						
Property tax	\$ 102,126	\$ -	\$ -	\$ -	\$ 29,333	\$ 131,459
Intergovernmental	-	12,489	7,920	-	-	20,409
Total receipts	102,126	12,489	7,920	-	29,333	151,868
Disbursements:						
Operating:						
Public safety	1,226	-	-	-	-	1,226
Public works	49,239	12,489	-	-	-	61,728
Culture and recreation	39,789	-	-	-	-	39,789
General government	30,366	-	-	-	-	30,366
Debt Service	-	-	-	-	161,398	161,398
Total disbursements	120,620	12,489	-	-	161,398	294,507
Excess (deficiency) of receipts over disbursements	(18,494)	-	7,920	-	(132,065)	(142,639)
Other financing sources (uses):						
Transfers in	-	-	-	-	132,597	132,597
Transfers out	-	(10,264)	(65,388)	(200,000)	-	(275,652)
Total other financing sources (uses)	-	(10,264)	(65,388)	(200,000)	132,597	(143,055)
Net change in cash balances	(18,494)	(10,264)	(57,468)	(200,000)	532	(285,694)
Cash balances beginning of year	73,651	10,264	57,468	200,000	(532)	340,851
Cash balances end of year	\$ 55,157	\$ -	\$ -	\$ -	\$ -	\$ 55,157
Cash Basis Fund Balances						
Restricted for other purposes	\$ 55,157	\$ -	\$ -	\$ -	\$ -	\$ 55,157

See accompanying independent auditor's report.

CITY OF IDA GROVE
SCHEDULE OF INDEBTEDNESS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Schedule 2

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation bonds:									
Airport improvement	October 11, 2000	5.00%	\$ 290,000	\$ 35,000	\$ -	\$ 35,000	\$ -	\$ 1,750	\$ -
Corporate purpose	October 1, 2006	3.70-3.90	1,010,000	770,000	-	95,000	675,000	29,198	-
Total				<u>\$ 805,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ 675,000</u>	<u>\$ 30,948</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
BOND MATURITIES
JUNE 30, 2011

Schedule 3

General Obligation Bonds

<u>Year</u> <u>Ending</u> <u>June 30</u>	<u>Corporate Purpose</u> <u>Issued October 1, 2006</u>	
	<u>Rates</u>	<u>Amount</u>
2012	3.70%	100,000
2013	3.75	105,000
2014	3.80	110,000
2015	3.80	115,000
2016	3.85	120,000
2017	3.90	125,000
		<u>\$ 675,000</u>

See accompanying independent auditor's report.

CITY OF IDA GROVE
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

Schedule 4

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:									
Property tax	\$ 775,057	\$ 722,906	\$ 700,117	\$ 701,960	\$ 635,260	\$ 603,344	\$ 537,045	\$ 542,175	\$ 485,730
Tax increment financing	105,358	42,301	43,268	42,211	4	34,908	99,718	96,850	183,235
Other city tax	239,915	204,590	72,214	27,497	60,731	44,748	41,729	38,314	40,097
Licenses and permits	6,233	6,711	6,606	7,979	7,921	6,870	9,008	6,369	2,190
Use of money and property	27,507	32,485	51,975	73,213	77,191	63,353	47,954	34,949	42,552
Intergovernmental	255,820	455,288	222,154	452,118	472,970	291,748	237,346	232,944	344,280
Charges for service	146,348	140,798	240,967	211,320	202,664	203,660	196,288	172,165	15,733
Special assessments	-	-	-	1,298	542	578	2,043	7,614	4,878
Miscellaneous	196,492	361,048	486,841	245,726	128,480	132,011	210,108	473,297	1,019,413
Total	<u>\$1,752,730</u>	<u>\$1,966,127</u>	<u>\$1,824,142</u>	<u>\$1,763,322</u>	<u>\$1,585,763</u>	<u>\$1,381,220</u>	<u>\$1,381,239</u>	<u>\$1,604,677</u>	<u>\$2,138,108</u>
Disbursements:									
Operating:									
Public safety	\$ 319,776	\$ 476,719	\$ 306,370	306,781	\$ 325,842	280,524	257,594	\$ 254,600	\$ 260,739
Public works	400,783	497,260	309,886	420,950	427,731	325,179	295,948	330,013	389,524
Health and social services	4,667	6,693	6,819	7,464	10,040	20,328	20,763	17,506	21,241
Culture and recreation	400,499	379,793	572,838	373,495	376,070	383,305	317,698	258,039	1,187,576
Community and economic development	-	125,000	-	-	-	-	-	-	-
General government	236,835	211,800	197,899	213,503	218,002	188,092	180,540	173,439	161,296
Debt service	161,398	166,612	161,443	182,727	112,965	90,965	131,605	131,715	136,805
Capital projects	223,680	458,523	72,891	158,749	505,168	207,824	466,939	438,145	-
Total	<u>\$1,747,638</u>	<u>\$2,322,400</u>	<u>\$1,628,146</u>	<u>\$1,663,669</u>	<u>\$1,975,818</u>	<u>\$1,496,217</u>	<u>\$1,671,087</u>	<u>\$1,603,457</u>	<u>\$2,157,181</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council
Ida Grove, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ida Grove, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 5, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Ida Grove's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Ida Grove's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Ida Grove's internal control over financial reporting.

Our consideration of internal control over financial reporting was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-11, I-B-11, I-C-11, and I-D-11, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Ida Grove's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Ida Grove's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Ida Grove's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of City of Ida Grove, and other parties to whom City of Ida Grove may report. This report is not intended to be and should not be used by anyone other than these specified parties.

December 5, 2011

Hungelman, Putzier & Co.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- I-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by either of two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The City continually monitors accounting procedures, and in a small office it is difficult to near impossible to have segregation of duties, as auditors would like. However, when fully staffed there are three employees available to divide the work so it isn't all done by two people.

Conclusion - Response accepted.

- I-B-11 Fire Department and Centennial Commission Funds - The Fire Department and Centennial Commission currently maintain bank accounts which are not included in the City's financial records. These do not appear to be separate non-profit corporations, but may be departments of the City. Chapter 384.20 of the Iowa Code states in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property. Public moneys may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - These funds should be included in the City's financial records and any disbursements should be budgeted.

Response - We have incorporated the fire department's accounts into the City bookkeeping system and we are meeting with the library and centennial committees to do the same.

Conclusion - Response accepted.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements: (Continued)

INTERNAL CONTROL DEFICIENCIES: (continued)

- I-C-11 Financial Reporting – We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation – Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response – The City Council is committed to employee training to expand their knowledge base. Also, City staff supplements their knowledge by employing certified accounting personnel to prepare year-end financial statements or any necessary financial statements.

Conclusion – Response accepted.

- I-D-11 Cancellation of Invoices - We noted that invoices were not marked paid to help prevent duplicate payment.

Recommendation - All invoices should be properly canceled to prevent reuse.

Response – The City attaches the check stub to each invoice to note it has been paid and the auditor's concern is that the check stub will come off the invoice. The City will begin stamping paid with the date on each invoice.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - Disbursements during the year ended June 30, 2011, exceeded the amount budgeted in the debt service and business type activities functions. Also, disbursements in the capital projects fund exceeded the budget prior to the amendment. Chapter 384.20 of the Code of Iowa states in part that public moneys may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City Clerk will review disbursements to amend the budget appropriately in the proper time rather than at the end of the fiscal year.

Conclusion – Response accepted.

- II-B-11 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-C-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-11 Business Transactions - We noted no business transactions between the City and City officials or employees.
- II-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. Many of the minutes however, were not signed to indicate approval.

Recommendation – The minutes should be timely and properly signed to indicate approval.

Response – The City Clerk will sign the minutes as soon as possible following the meetings.

Conclusion – Response accepted.

- II-G-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- II-H-11 Excess Balances - The following funds have balances at June 30, 2011, in excess of one year's expenditures:

Special Revenue - Road Use
-Local Option Sales Tax

Recommendation - While it appears that these funds may have an excessive balance, this can usually be justified if the City has a specific plan for future expenditures. The City should consider the necessity of maintaining these substantial balances and, where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response – The City plans on utilizing excess funds in Road Use for street and bridge repairs and/or new street construction. Consideration for utilizing excess funds for the Local Option Sales Tax will be reviewed upon completion of the Ida Grove Strategic Plan that will be finalized in the next three months.

Conclusion – Response accepted.

CITY OF IDA GROVE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

II-I-11 Financial Condition - At June 30, 2011, the City had deficit balances in the Capital Projects Funds: West Access and Outdoor Pool of \$106,455 and \$93,501, respectively. Also, the Sewer Fund had a deficit balance of \$76,911.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition.

Response - City staff and City Council will review the deficit balances and transfer funds as appropriate.

Conclusion - Response accepted.

II-J-11 Code of Ordinances - The City Code of Ordinances has not been updated in accordance with Iowa Code Chapter 380.8.

Recommendation - Chapter 380.8 of the Iowa Code requires that the Code be updated at least annually by compiling a supplement or compile the Code at least every five years.

Response - The City is in the process of updating the City Code of Ordinances.

Conclusion - Response accepted.

II-K-11 Sales Tax - The City is not collecting sales tax on the 'debt reduction' surcharge which is added to the water bills.

Recommendation - It appears that this charge is similar to the water usage and sales tax should be charged on this and the amounts collected should be remitted to the Iowa Department of Revenue.

Response - The City will begin charging sales tax on the debt retirement surcharge.

Conclusion - Response accepted.